

**JACKSON COUNTY SCHOOL DISTRICT**

**BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2015  
WITH  
REPORT OF INDEPENDENT AUDITORS**

## TABLE OF CONTENTS

<b>Independent Auditor's Report</b> .....	1
<b>Management's Discussion and Analysis</b> .....	4
<b>Basic Financial Statements</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Position .....	9
Statement of Activities .....	10
<b>Fund Financial Statements</b>	
Balance Sheet – Governmental Funds .....	11
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position.....	12
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities .....	14
Statement of Net Position – Proprietary Funds.....	15
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds .....	16
Statement of Cash Flows – Proprietary Funds .....	17
Statement of Fiduciary Net Position – Fiduciary Funds.....	18
<b>Notes to the Basic Financial Statements</b> .....	19

## Supplementary Information

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund .....	43
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Special Revenue Fund .....	44
Notes to Required Supplementary Information – Budget and Actual – General Fund.....	45
Combining Balance Sheet – Non-major Governmental Funds .....	46
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-major Governmental Funds.....	47
Schedule of the District's Proportionate Share of the Net Pension Liability – County Employees Retirement System .....	48
Schedule of District Contributions – County Employees Retirement System .....	49
Schedule of the State's Proportionate Share of the Net Pension Liability – Kentucky Teachers' Retirement System.....	50
Schedule of State Contributions – Kentucky Teachers' Retirement System .....	51
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Elementary and Middle School Activity Funds.....	52
Statement of Revenues, Expenditures, and Changes in Fund Balances – Jackson County High School Activity Fund.....	53
Schedule of Expenditures of Federal Awards.....	56
Notes to the Schedule of Expenditures of Federal Awards .....	58
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	59
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; And Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133.....	61
Schedule of Findings and Questioned Costs – Major Programs.....	64
Schedule of Prior Year Audit Findings .....	66
Independent Auditors' Transmittal Letter for Management Letter Comments.....	68
Management Letter Comments.....	69

## INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Jackson County School District  
McKee, Kentucky

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Jackson County School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the provisions of the *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*; and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Auditor's Contract-General Audit Requirements* and *Appendix II to the Independent Auditor's Contract-State Audit Requirements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Jackson County School District, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information per the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jackson County School District's basic financial statements as a whole. The combining and individual nonmajor fund financial statements, and the schedule of expenditures of federal awards, as required by the Office of Management and budget circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, and the schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



#### **Other Reporting Required by *Governmental Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 13, 2015, on our consideration of Jackson County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jackson County School District's internal control over financial reporting and compliance.

*Cloyd & Associates, PSC*

Cloyd & Associates, PSC  
London, Kentucky  
November 13, 2015

The management of Jackson County School District offers readers this narrative overview and analysis of the financial activities and educational programs of the District for the fiscal year ended June 30, 2015. We encourage readers to review the information presented here in conjunction with additional information found within the body of this audit.

This Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, issued June 1999; GASB Statement No. 37, Basic Financial Statement - and Management Discussion and Analysis - for State and Local Governments: Omnibus, an amendment to GASB Statements No. 21 and No. 34, issued in June 2001; and in GASB Statement No. 38, Certain Financial Statement Note Disclosures, issued in 2001. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

## **FINANCIAL HIGHLIGHTS**

- The ending cash balance for the District has remained consistent over 2013, 2014 and 2015. There was an increase in revenues over last fiscal year which was primarily related to the Food Service programs implementation of the CEO (Community Eligibility Program). The District's goal was to increase our contingency funds to safeguard against any unforeseen expenses or revenue shortfalls. The District was successful in achieving that goal in the overall operations of the District.
- The District's plan was to save as much money as possible in all areas of operations, including more efficiency in the areas of personnel. The administrative budget committee has worked hard to eliminate all positions possible without hurting the integrity of the District.
- A concerted effort was focused on saving as much as possible when purchasing in the areas of supplies, food, maintenance items, and other materials. We had targeted our Food Service as a top priority for improvements. Continuation of working with local districts to purchase supplies with a three county cooperative approach has resulted in a savings in operations in food service. We have also been effective in saving some monies in other areas of purchasing. An increased focus on student participation along with implementation of the CEO (community eligibility program) for our food service program resulted in an increase in food service revenues. This additional revenue will enable the District to make needed improvements in our Food Service areas of operation. In 2015, we were able to renovate two of our elementary school kitchens, and plan on renovating the last elementary school and our Middle School kitchen in 2016.
- The major project for Jackson County has been the new Jackson County High School. The first phase of construction began during the 2009-2010 school year. The District received additional Category Five funding which enabled us to continue to the next phase of the new high school. The District had to commit to levy an additional five cent equivalent tax rate to qualify for the Category Five funding. In FY 12-13 the District received additional funding from the SFCC (School Facility Construction Commission). The total project cost is now estimated at \$21.5 million of which \$19.1 million is SFCC and Category Five funding and \$2.4 million consists of local funds. The athletic field phase of the project was completed this year, and for FY 2014-15 the District received additional SFCC funding which enabled us to complete the final phase of the high school project, which consisted of curbing and blacktopping.
- A major project this year was the relocation of our Central Office. The previous High School Building is now the Central Office Administration Building. With the proceeds received from the sale of our old Central Office building we were able to make many improvements to the new Central Office. Some of these improvements included installing new energy efficient LED lighting, installation of new commercial ceiling tiles, and partial replacement of old aluminum windows with energy efficient windows. The plan for FY 15-16 is to replace all old windows and exterior doors as we can apply for a partial rebate from the local Jackson Energy Cooperative. Other improvements at the new Central Office include a new Board Meeting room that can seat one hundred people, an updated Technology Department, and a professional development training

room that can seat around 50 people. The Maintenance department will now be located at the rear of the building in the old Vocational Agriculture section which puts them in a more centralized area within the school district.

- Our District remains committed to educational excellence by keeping teacher salaries high and the student-teacher ratio low. Employee raises have been distributed over three consecutive years. A 0.5% increase in FY 13-14, 1% in FY 14-15, and 2% for FY15-16.
- The General Fund had \$18,139,642 in revenues, excluding on-behalf payments, interfund transfers, and proceeds from sale of assets, which primarily consisted of the state program (SEEK), property and motor vehicle taxes, and the utility tax which was implemented in 2011. Excluding on-behalf payments and interfund transfers, the General Fund had \$17,664,330 in expenditures. A growing concern for the district, however, is the sequestration of federal funds along with state mandated salary increases and the impact it may have on our staffing and overall budget. The administrative budget team has taken into account in the budgeting process these legislative mandates.
- Governmental Capital Assets had a net decrease of \$299,124 during the current fiscal year. Business-Type Activities Capital Assets had a net increase of \$102,589 during the current fiscal year.
- Bonds are issued as the District renovates facilities consistent with a long-range facilities plan that is established with the community input and keeping with the Kentucky Department of Education stringent compliance regulations. The District was able to refinance some bonding issues in FY 2012-13 and FY 2014-15 at a lower interest rate. These savings will continue to aid us in our effort to gradually rebuild our bus fleet. This year the district was able to purchase five new buses and six used buses. For FY 15-16 we will purchase two more new buses. The district is working to stay in alignment with Kentucky Department of Education's bus replacement schedule.

## **OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are primarily supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation, and operation of non-instructional services. Fixed asset acquisitions and related debt are also supported by taxes and intergovernmental revenues. The government-wide financial statements can be found on the table of contents of this report.

**Fund financial statement.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. There is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund

**JACKSON COUNTY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)-CONTINUED**  
Year ended June 30, 2015

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accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary, and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The proprietary funds are our food service and day care operations. All other activities of the District are included in the governmental funds. The basic governmental fund financial statements can be found on the table of contents of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The financial statements can be found on pages 9 to 18 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that are still outstanding. The District used these capital assets to provide services to its students; consequently, these assets are not available for future spending.

Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**Net Position for the period ending June 30, 2015**

Fiscal year 2015 government-wide net position compared to 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 12,570,499	\$ 10,833,150
Capital assets	36,292,129	36,488,754
Total assets	<u>\$ 48,862,628</u>	<u>\$ 47,321,904</u>
Deferred outflows of resources	<u>\$ 893,159</u>	<u>\$ 366,795</u>
Current liabilities	\$ 2,372,041	\$ 2,481,117
Noncurrent liabilities	27,780,605	24,597,018
Total liabilities	<u>\$ 30,152,646</u>	<u>\$ 27,078,135</u>
Deferred outflows of resources	<u>\$ 483,000</u>	<u>\$ -</u>
Net investment in capital assets, net of debt	\$ 11,919,819	\$ 17,381,329
Restricted net position	114,995	564,081
Unrestricted net position	7,085,327	2,665,154
Total net position	<u>\$ 19,120,141</u>	<u>\$ 20,610,564</u>

**JACKSON COUNTY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)-CONTINUED**  
Year ended June 30, 2015

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, governmental assets exceeded liabilities by approximately \$18,765,996; proprietary assets exceeded liabilities by \$354,145 and total assets exceeded liabilities by \$19,120,141 at June 30, 2015.

The following table presents a fund accounting comparison and summary of revenue and expense for Governmental Funds only for the fiscal years 2015 and 2014.

	<b>2015</b>	<b>2014</b>
<b>Revenues and other financing sources</b>		
Local revenue sources	\$ 3,176,845	\$ 3,126,572
State revenue sources	18,837,762	18,204,390
Federal revenue	3,285,207	3,389,596
<b>Total revenue</b>	<b>\$ 25,299,814</b>	<b>\$ 24,720,558</b>
<b>Expenditures and other financing uses</b>		
Instruction	\$ 13,120,063	\$ 13,145,687
Student support services	1,090,080	1,145,629
Instructional support	1,213,780	1,076,781
District administration	686,360	785,517
School administration	633,580	649,294
Business operations	568,607	563,418
Plant operation and maintenance	1,980,986	1,884,489
Student transportation	2,221,916	2,042,722
Community services	317,415	317,804
Debt service	2,670,613	2,721,522
Adult Education	10,982	-
Architectural and engineering	-	-
Building acquisition and construction	441,453	1,006,369
<b>Total expenditures</b>	<b>\$ 24,955,835</b>	<b>\$ 25,339,232</b>
<b>Excess revenues (expenditures)</b>	<b>\$ 343,979</b>	<b>\$ (618,674)</b>
<b>Other financing sources (uses)</b>		
Bond proceeds	\$ 7,735,000	\$ -
Bond premium	-	-
Capital lease proceeds	93,813	-
Payments to escrow agent - refunding	(7,305,276)	-
Debt issuance cost	(119,724)	-
Transfers in	2,020,945	1,510,884
Transfers out	(1,950,385)	(1,456,343)
Proceeds from sale of assets	12,582	76,667
<b>Total other financing sources (uses)</b>	<b>\$ 486,955</b>	<b>\$ 131,208</b>
<b>Net change in fund balance</b>	<b>\$ 830,934</b>	<b>\$ (487,466)</b>

On-behalf payments are included in the above amounts. On-behalf, as defined by the KDE, are payments the state makes on behalf of employees to the various agencies for health and life insurance, retirement, and administration fees. The on-behalf payments are allocated to expense as mandated by the KDE and are credited to revenues; therefore, have no effect on the District's fund balance.



## **BUDGETARY IMPLICATION**

In Kentucky, the public school fiscal year is July 1 through June 30; other programs, such as, some federal programs operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a working budget with \$892,989 in contingency. Significant variations in the actual results of operations and the final budget are primarily due to on-behalf payments that are included in the financial statements, but are not budgeted by the District.

### **Comments on Budget Comparisons**

- The District's total General Fund revenues for the fiscal year ended June 30, 2015, were \$18,139,642, excluding transfers.
- General Fund budgeted revenue compared to actual revenue varied from line item to line item with the ending actual balance being 3.75% more than budget.
- The total cost of all general fund programs and services for the fiscal year ended June 30, 2015 was \$17,664,330.
- General fund budgeted expenditures compared to actual expenditures varied from line item to line item with the ending actual balance being 16.46% less than budget.

### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives.

Questions regarding this report should be directed to the Superintendent or the Director of Financial Services at 606-287-7181, or by mail at 526 Main Street, PO Box 127, McKee, Kentucky 40447.

# JACKSON COUNTY SCHOOL DISTRICT

## STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,360,678	\$ 390,966	\$ 3,751,644
Accounts receivable:			
Taxes	96,174	-	96,174
Other	3,058	590	3,648
Intergovernmental - State	220,342	-	220,342
Intergovernmental - Federal	657,878	24,851	682,729
SFCC current receivable of bonds payable	491,899	-	491,899
Inventory	132,776	42,972	175,748
SFCC noncurrent receivable of bonds payable	7,148,315	-	7,148,315
Capital Assets, net			
Nondepreciable	13,008,253	-	13,008,253
Depreciable	22,988,834	295,042	23,283,876
<b>Total assets</b>	<b>48,108,207</b>	<b>754,421</b>	<b>48,862,628</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred amounts from refunding bonds	331,637	-	331,637
Deferred pension contributions	481,066	80,456	561,522
	812,703	80,456	893,159
<b>LIABILITIES</b>			
Accounts payable	101,870	101,618	203,488
Accrued expense	254,709	-	254,709
Unearned revenue	157,310	-	157,310
Current portion of KSBIT assessment payable	62,768	-	62,768
Current portion of capital lease obligations	38,115	-	38,115
Current maturities of bond obligations	1,555,571	-	1,555,571
Interest payable	100,080	-	100,080
Net pension liability - noncurrent	4,019,037	310,963	4,330,000
Noncurrent portion of KSBIT assessment payable	156,132	-	156,132
Noncurrent portion of capital lease obligations	522,045	-	522,045
Noncurrent maturities of bond obligations	22,588,216	-	22,588,216
Noncurrent portion of accumulated sick leave	184,212	-	184,212
<b>Total liabilities</b>	<b>29,740,065</b>	<b>412,581</b>	<b>30,152,646</b>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred amounts from pension	414,849	68,151	483,000
<b>NET POSITION</b>			
Net investment in capital assets	11,624,777	295,042	11,919,819
Restricted for:			
Capital expenditures	55,892	-	55,892
Other	-	59,103	59,103
Unrestricted	7,085,327	-	7,085,327
<b>Total net position</b>	<b>\$ 18,765,996</b>	<b>\$ 354,145</b>	<b>\$ 19,120,141</b>



**JACKSON COUNTY SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES**

**Year ended June 30, 2015**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<b>Governmental activities</b>							
Instruction	\$ 17,575,175	\$ 53,776	\$ 9,409,622	\$ -	\$ (8,111,777)	\$ -	\$ (8,111,777)
Student	1,440,265	-	641,776	-	(798,489)	-	(798,489)
Instructional support	1,599,759	-	1,184,782	-	(414,977)	-	(414,977)
District administration	901,222	-	291,293	-	(609,929)	-	(609,929)
School administration	826,048	-	352,144	-	(473,904)	-	(473,904)
Business support	739,520	-	275,642	-	(463,878)	-	(463,878)
Plant operations and maintenance	2,808,298	-	839,376	-	(1,968,922)	-	(1,968,922)
Student transportation	2,853,500	-	977,846	-	(1,875,654)	-	(1,875,654)
Community services	413,335	-	402,117	-	(11,218)	-	(11,218)
Adult education	14,283	-	3,330	-	(10,953)	-	(10,953)
Interest on long-term debt	1,064,918	-	-	1,274,315	209,397	-	209,397
<b>Total governmental activities</b>	<b>30,236,323</b>	<b>53,776</b>	<b>14,377,928</b>	<b>1,274,315</b>	<b>(14,530,304)</b>	<b>-</b>	<b>(14,530,304)</b>
<b>Business-type activities</b>							
Food service	1,663,798	63,298	1,787,051	-	-	186,551	186,551
Other enterprise fund	99	149	-	-	-	50	50
<b>Total business-type activities</b>	<b>1,663,897</b>	<b>63,447</b>	<b>1,787,051</b>	<b>-</b>	<b>-</b>	<b>186,601</b>	<b>186,601</b>
<b>Total primary government</b>	<b>\$ 31,900,220</b>	<b>\$ 117,223</b>	<b>\$ 16,164,979</b>	<b>\$ 1,274,315</b>	<b>(14,530,304)</b>	<b>186,601</b>	<b>(14,343,703)</b>
<b>General revenues</b>							
Taxes:							
Property					1,970,230	-	1,970,230
Motor vehicle					367,852	-	367,852
Utility					740,300	-	740,300
Other					16,901	-	16,901
Earnings on investments					7,037	240	7,277
State grants					13,998,420	-	13,998,420
Other local amounts					60,363	-	60,363
Gain/(loss) on disposal					12,582	-	12,582
Indirect cost transfers					70,560	(70,560)	-
Total general revenues					17,244,245	(70,320)	17,173,925
<b>Change in net position</b>					<b>2,713,941</b>	<b>116,281</b>	<b>2,830,222</b>
Restated net position beginning of year					16,052,055	237,864	16,289,919
<b>Net position as of June 30, 2015</b>					<b>\$ 18,765,996</b>	<b>\$ 354,145</b>	<b>\$ 19,120,141</b>

The accompanying notes are an integral part of these financial statements

# JACKSON COUNTY SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS June 30, 2015

	General Fund	Special Revenue Funds	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,000,118	\$ -	\$ 70,151	\$ 4,070,269
Accounts receivable:				
Taxes	96,174	-	-	96,174
Other	3,058	-	-	3,058
Intergovernmental - State	-	220,342	-	220,342
Intergovernmental - Federal	-	657,878	-	657,878
Inventory	132,776	-	-	132,776
<b>Total assets</b>	<b>\$ 4,232,126</b>	<b>\$ 878,220</b>	<b>\$ 70,151</b>	<b>\$ 5,180,497</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Checks written in excess of account balance	\$ -	\$ 709,591	\$ -	\$ 709,591
Accounts payable	76,292	11,319	14,259	101,870
Accrued expense	254,709	-	-	254,709
Unearned revenue	-	157,310	-	157,310
<b>Total liabilities</b>	<b>331,001</b>	<b>878,220</b>	<b>14,259</b>	<b>1,223,480</b>
<b>Fund balances</b>				
Nonspendable	132,776	-	-	132,776
Restricted	-	-	55,892	55,892
Committed	15,000	-	-	15,000
Assigned	1,250,022	-	-	1,250,022
Unassigned	2,503,327	-	-	2,503,327
<b>Total fund balances</b>	<b>3,901,125</b>	<b>-</b>	<b>55,892</b>	<b>3,957,017</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,232,126</b>	<b>\$ 878,220</b>	<b>\$ 70,151</b>	<b>\$ 5,180,497</b>

JACKSON COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO  
THE STATEMENT OF NET POSITION  
Year ended June 30, 2015

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Total fund balances - governmental funds \$ 3,957,017

Amounts reported for governmental activities in the Statement of Net  
Position are different because:

Capital assets used in governmental activities are not current financial  
resources and, therefore, are not reported as assets in governmental funds. 35,997,087

Deferred outflow of resources are not recorded in the government fund  
financials because they do not affect current resources, but are recorded  
in the statement of net position. 812,703

Certain assets are not reported in the fund financial statements because  
they are not available to pay current period expenses, but they are  
presented in the statement of net position. 7,640,214

Bonds payable are not reported in the governmental fund balance sheet  
because they are not due and payable in the current period, but they  
are presented in the statement of net position. (24,143,787)

Capital leases payable are not reported in the governmental fund balance  
sheet because they are not due and payable in the current period, but  
they are presented in the statement of net position. (560,160)

The long term portion of accumulated sick leave is not reported in the  
governmental fund balance sheet because it is not due and payable  
in the current period, but it is presented in the statement of net position. (184,212)

KSBIT assessment payable is not reported in the governmental fund  
balance sheet because it is not due and payable in the current period,  
but it is presented in the statement of net position. (218,900)

Net pension obligation is not reported in the governmental fund  
balance sheet because it is not due and payable in the current period,  
but it is presented in the statement of net position. (4,019,037)

Deferred inflow of resources are not recorded in the government fund  
financials because they do not affect current resources but are recorded  
in the statement of net position. (414,849)

Interest payable is not reported in the governmental fund balance sheet  
because it is not due and payable in the current period, but it is presented  
in the statement of net position. (100,080)

Total net position - governmental activities \$ 18,765,996

JACKSON COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
Year ended June 30, 2015

	General Fund	Special Revenue Funds	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
From local sources:				
Taxes				
Property	\$ 1,590,972	\$ -	\$ 379,258	\$ 1,970,230
Motor vehicle	367,852	-	-	367,852
Utility	740,300	-	-	740,300
Other	16,901	-	-	16,901
Earnings on investments	7,037	-	-	7,037
Other local	60,363	14,162	-	74,525
Intergovernmental - State	15,302,441	1,614,944	1,920,377	18,837,762
Intergovernmental - Federal	53,776	2,618,195	613,236	3,285,207
<b>Total revenues</b>	<b>18,139,642</b>	<b>4,247,301</b>	<b>2,912,871</b>	<b>25,299,814</b>
<b>Expenditures</b>				
Current:				
Instruction	10,093,099	3,026,964	-	13,120,063
Student	1,003,896	86,184	-	1,090,080
Instructional support	511,189	702,591	-	1,213,780
District administration	686,360	-	-	686,360
School administration	623,503	10,077	-	633,580
Business support	564,565	4,042	-	568,607
Plant operations and maintenance	1,971,124	9,862	-	1,980,986
Student transportation	2,119,680	102,236	-	2,221,916
Community services	11,553	305,862	-	317,415
Adult education	10,982	-	-	10,982
Building acquisition and construction	-	-	441,453	441,453
Debt service	68,379	-	2,602,234	2,670,613
<b>Total expenditures</b>	<b>17,664,330</b>	<b>4,247,818</b>	<b>3,043,687</b>	<b>24,955,835</b>
Excess (deficit) of revenues over (under) expenditures	475,312	(517)	(130,816)	343,979
<b>Other financing sources (uses)</b>				
Proceeds from sale of fixed assets	12,582	-	-	12,582
Proceeds from bonds	-	-	7,735,000	7,735,000
Deposits with escrow agents	-	-	(7,305,276)	(7,305,276)
Debt issuance cost	-	-	(119,724)	(119,724)
Proceeds from capital leases	93,813	-	-	93,813
Transfers in	463,351	45,675	1,511,919	2,020,945
Transfers out	(75,675)	(45,158)	(1,829,552)	(1,950,385)
<b>Total other financing sources (uses)</b>	<b>494,071</b>	<b>517</b>	<b>(7,633)</b>	<b>486,955</b>
<b>Net change in fund balance</b>	<b>969,383</b>	<b>-</b>	<b>(138,449)</b>	<b>830,934</b>
Fund balance as of June 30, 2014	2,931,742	-	194,341	3,126,083
<b>Fund balance as of June 30, 2015</b>	<b>\$ 3,901,125</b>	<b>\$ -</b>	<b>\$ 55,892</b>	<b>\$ 3,957,017</b>

## JACKSON COUNTY SCHOOL DISTRICT

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES Year ended June 30, 2015

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Net change in total fund balances - governmental funds	\$ 830,934
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in the governmental fund financial statements because they use current financial resources, but they are treated as assets in the statement of net position and depreciated over their estimated economic lives. The difference is the amount by which depreciation exceeds capital outlay expense for the year.	(299,124)
Amortization of deferred outflows or resources is not recognized in the governmental fund financial statements but is a component of interest in the statement of activities.	(35,158)
Pension contributions are recorded in the fund statements but are deferred outflows on the statement of net assets while calculated pension expense is recorded in the statement of activities.	58,182
Bond, capital lease, and other debt payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are reductions of liabilities in the statement of net position.	1,724,741
Bond, capital lease proceeds, and net refundings are recognized as revenue in the governmental fund financial statements but are increases in liabilities in the Statement of Net Position.	(533,813)
Interest payments are recognized as expenditures of current financial resources in the governmental fund financial statements, but are expensed as incurred in the statement of activities.	46,112
The increase in SFCC accounts receivable are not recorded in the fund financial statements but are recognized in the statement of activities.	943,295
Accumulated sick leave is recognized by the amount earned in the statement of activities, but the governmental fund financial statements only recognize the obligations anticipated to be retired from existing financial resources.	<u>(21,228)</u>
Change in net position - governmental activities	<u>\$ 2,713,941</u>

JACKSON COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION -  
PROPRIETARY FUNDS

June 30, 2015

	Food Service Fund	Day Care Service	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 390,916	\$ 50	\$ 390,966
Accounts receivable	25,441	-	25,441
Inventory	42,972	-	42,972
Total current assets	459,329	50	459,379
<b>Noncurrent assets</b>			
Capital assets	958,592	-	958,592
Less accumulated depreciation	(663,550)	-	(663,550)
Total noncurrent assets	295,042	-	295,042
<b>Total assets</b>	754,371	50	754,421
<b>Deferred outflow of resources</b>			
Deferred outflows of contributions	80,456	-	80,456
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	101,618	-	101,618
Total current liabilities	101,618	-	101,618
<b>Noncurrent Liabilities</b>			
Net pension liability	310,963	-	310,963
Total noncurrent liabilities	310,963	-	310,963
<b>Total liabilities</b>	412,581	-	412,581
<b>Deferred inflow of resources</b>			
Deferred inflows related to pension expense	68,151	-	68,151
<b>NET POSITION</b>			
Net investment in capital assets	295,042	-	295,042
Restricted for:			
Other	59,053	50	59,103
Unrestricted	-	-	-
<b>Total net position</b>	\$ 354,095	\$ 50	\$ 354,145

JACKSON COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -  
 PROPRIETARY FUNDS  
 Year ended June 30, 2015

	Food Service Fund	Other Enterprise Funds	Total
<b>Operating revenues</b>			
Lunchroom sales	\$ 62,745	\$ -	\$ 62,745
Other	553	149	702
Total operating revenues	63,298	149	63,447
<b>Operating expenses</b>			
Salaries and wages	455,304	-	455,304
Employee benefits	290,189	-	290,189
Pension expense	-	-	-
Materials and supplies	901,020	99	901,119
Other	-	-	-
Depreciation	17,285	-	17,285
Total operating expenses	1,663,798	99	1,663,897
Operating income/(loss)	(1,600,500)	50	(1,600,450)
<b>Nonoperating revenues</b>			
Federal grants	1,509,228	-	1,509,228
State grants	199,426	-	199,426
Earnings on investments	240	-	240
Donated commodities	78,397	-	78,397
Total nonoperating revenues/(expenses)	1,787,291	-	1,787,291
Income before contributions transfers and special items	186,791	50	186,841
Transfers in (out)	(60,073)	(10,487)	(70,560)
<b>Change in net position</b>	126,718	(10,437)	116,281
Net position as of June 30, 2014 (restated)	227,377	10,487	237,864
<b>Net position as of June 30, 2015</b>	<u>\$ 354,095</u>	<u>\$ 50</u>	<u>\$ 354,145</u>

JACKSON COUNTY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS  
Year ended June 30, 2015

	Food Service Fund	Other Enterprise Funds	Total
<b>Cash flows from operating activities</b>			
Cash received from:			
Lunchroom sales	\$ 62,154	\$ -	\$ 62,154
Other activities	553	149	702
Cash paid to/for:			
Employees	(756,478)	(99)	(756,577)
Supplies	(731,081)	(1,684)	(732,765)
Net cash used in operating activities	(1,424,852)	(1,634)	(1,426,486)
<b>Cash flows from non-capital financing activities</b>			
Grants received	1,693,903	-	1,693,903
Transfer from (to) general fund	(60,073)	(10,487)	(70,560)
Net cash used in non-capital financing activities	1,633,830	(10,487)	1,623,343
<b>Cash flows from investing activities</b>			
Purchase of fixed assets	(119,784)	-	(119,784)
Investment income	240	-	240
Net cash used in capital and related activities	(119,544)	-	(119,544)
Net increase in cash and cash equivalents	89,434	(12,121)	77,313
Cash and cash equivalents as of June 30, 2014	301,482	12,171	313,653
<b>Cash and cash equivalents as of June 30, 2015</b>	<b>\$ 390,916</b>	<b>\$ 50</b>	<b>\$ 390,966</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>			
Operating income/ (loss)	\$ (1,600,500)	\$ 50	\$ (1,600,450)
Adjustments to reconcile change in net position to net cash used in operating activities:			
(Increase)/decrease in accounts payable	(591)	-	(591)
Increase/(decrease) in accounts payable	87,025	(1,684)	85,341
Increase/(decrease) in inventory	4,517	-	4,517
Net change in pension expense	(10,985)	-	(10,985)
Donated commodities	78,397	-	78,397
Depreciation	17,285	-	17,285
<b>Net cash used in operating activities</b>	<b>\$ (1,424,852)</b>	<b>\$ (1,634)</b>	<b>\$ (1,426,486)</b>
<b>Schedule of non-cash transactions:</b>			
Depreciation	\$ 17,285	\$ -	\$ 17,285
Donated commodities	78,397	-	78,397
<b>Total non-cash transactions</b>	<b>\$ 95,682</b>	<b>\$ -</b>	<b>\$ 95,682</b>



JACKSON COUNTY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION -  
FIDUCIARY FUNDS

June 30, 2015

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	Agency Funds	Total Fiduciary Funds
<b>ASSETS</b>		
Cash	\$ 243,032	\$ 243,032
Accounts receivable	<u>2,348</u>	<u>2,348</u>
<b>Total assets</b>	<u>245,380</u>	<u>245,380</u>
<b>LIABILITIES</b>		
Accounts payable	1,098	1,098
Due to student groups	<u>244,282</u>	<u>244,282</u>
<b>Total liabilities</b>	<u>245,380</u>	<u>245,380</u>
<b>Total net position</b>	<u>\$ -</u>	<u>\$ -</u>

## 1. REPORTING ENTITY

The Jackson County Board of Education ("Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Jackson County School District ("District"). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and activities relevant to the operation of the Jackson County Board of Education. The basic financial statements presented herein do not include funds of groups and organizations, which, although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc. Such funds or groups have been considered as prospective component units under GASB Statement Number 39, *Determining Whether Certain Organizations Are Component Units*, and have been determined to have insignificant assets, liabilities, equity, revenue and expenditures to be considered component units. In addition, the Board has the ability to exert little control over the fiscal activities of the funds or groups.

The basic financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Jackson County School District Finance Corporation – In a prior year, the Jackson County Board of Education resolved to authorize the establishment of the Jackson County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation pursuant to Section 162.385 of the School Bond Act and Chapter 273 and Section 58.180 of the Kentucky Revised Statutes (the "Corporation") to act as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The District has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 to its proprietary funds, unless those pronouncements conflict or contradict GASB pronouncements.

The following is a summary of the basis of presentation:

**Government-wide Financial Statements** - The statement of net position and the statement of revenues, expenses, and changes in net position display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental, which normally are supported by tax revenues, and those that are considered business-type activities, which rely significantly on fees and charges for support.

## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

**Fund Financial Statements** - Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities; and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in total fund balances. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Accounting principles generally accepted in the United States of America require that the General Fund be reported as a major fund. All other governmental and proprietary funds whose assets, liabilities, revenues, or expenditures comprise at least 10% of the total for the relevant fund category and at least 5% of the corresponding total for all governmental and proprietary funds combined must also be reported as major funds.

The District has the following funds:

### I. Government Fund Types

The General Fund is the main operating fund of the District. It accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. This is a budgeted fund, and any fund balances are considered as resources available for use. This is always a major fund of the District.

The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

### I. Government Fund Types - continued

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds). The Capital Projects Funds account for revenue and expenditures from three sources:

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the District's facility plan.
2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction and/or remodeling.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable, as required by Kentucky law.

### II. Proprietary Fund Types (Enterprise Funds)

The Food Service Fund is used to account for school food service activities, including the National School Lunch Program and the National School Breakfast Program, which are conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.

The Day Care Fund accounts for the funds raised at schools providing after school care for children.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

### III. Fiduciary Fund Type (Agency Funds)

The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the *Accounting Procedures for Kentucky School Activity Funds*.

### Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

## **2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

Revenues, Exchange and Non-exchange Transactions - Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end. Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Unearned Revenue - Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue. The District reports unearned revenue on its statement of net position and governmental funds balance sheet. In both the government-wide and governmental fund statements, grants that are intended to finance future periods are reported as unearned revenue. In subsequent periods, the liability for unearned revenue is removed from the statement of net position and governmental funds balance sheet and revenue is recognized.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave, which are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

### Property Taxes

Property taxes are levied by September 30 on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates (including exonerations) assessed for the year ended June 30, 2015, to finance the General Fund operations were \$.606 per \$100 valuation for real property, \$.606 per \$100 valuation for business personal property and \$.568 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

## **2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

### Prepaid Assets

Payments made that will benefit periods beyond the end of the fiscal year are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

### Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, except land and construction-in-progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
School buses	10 years
Other vehicles	5 years
Audio-visual equipment	15 years
Food service equipment	12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other general equipment	10 years

### Interfund Receivables and Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statements of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

### Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave. Sick leave benefits are accrued as a liability using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

## **2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

The entire compensated absence liability includes the remaining 70% plus any accrued sick leave for people not eligible and is reported on the government-wide financial statements. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as an assigned portion of fund balance. The balance of the liability is not recorded.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the General Fund. The noncurrent portion of the liability is not reported.

### Budgetary Process

The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

- Revenues are recorded on the modified accrual basis of accounting (budgetary) as opposed to when susceptible to accrual (GAAP).
- Expenditures are recorded on the modified accrual basis of accounting (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved by the Board, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law. Budgetary receipts represent original estimates modified for adjustments, if any, during the fiscal year. Budgetary disbursements represent original appropriations adjusted for budget transfers and additional appropriations, if any, approved during the fiscal year.

Each budget is prepared and controlled at the revenue and expenditure function/object level. All budget appropriations lapse at year-end. For purposes of audit presentation, the District only presents the General Fund budget within the financial statements.

### Cash and Cash Equivalents

The District considers demand deposits, certificates of deposit, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

### Receivables

The District recognizes revenues as receivables when they are measurable and receipt is probable. Concentration of credit risk with respect to the receivables from federal and state governments is limited due to the historical stability of those institutions. Federal and state grants to be used or expended as specified by the grantor are recognized as revenue and recorded as receivables as qualifying expenditures are made.

### Inventories

On government-wide and governmental fund financial statements inventories of supplies and materials are stated at cost and are expensed when used.

The school Food Service Fund inventory consists of food, supplies and U.S. Government commodities.

The Food Service Fund inventory is stated at cost and uses the specific identification method; the General Fund inventory is stated at cost and uses the first-in, first-out method.

## 2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

### Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements; and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

### Fund Balances

Fund balances are separated into five categories, as required by GASB 54, as follows:

**Nonspendable** fund balance is permanently nonspendable by decree of donor. Examples would be an endowment or that which may not be used for another purpose such as amounts used to prepay future expenses or already purchased inventory on hand.

**Restricted** fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**Committed** fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which, for the District is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment.

**Assigned** fund balances are those amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows program supervisors to complete purchase orders which result in the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

**Unassigned** fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board, or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

### Encumbrances

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end, and outstanding encumbrances at year-end are reappropriated in the next year. Encumbrances are considered a managerial assignment of fund balance at June 30, 2015, in the governmental funds balance sheet.



## **2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

### Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

### Operating and Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

Non-operating revenues are not generated directly from the primary activity of the proprietary funds. For the School District those revenues come in the form of grants (federal and state), donated commodities, and earnings from investments.

### Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

### Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

### Deferred Inflows and Deferred Outflows of Resources

Deferred inflows and deferred outflows are recorded on the government-wide and proprietary financial statements. The deferred outflows of resources presented were primarily created by the prior refunding of revenue bonds and deferral of pension contributions. Deferred inflows were primarily created by actuarial determinations of net pension liability changes.

## **2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

### Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous (CERS) and Teachers Retirement system of the State of Kentucky (KTRS) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### **3. CUSTODIAL CREDIT RISK - DEPOSITS**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2015, none of the District's bank balances were exposed to custodial credit risk because of coverage by Federal Depository insurance and by collateral agreements and collateral held by the pledging banks' trust departments in the District's name.

Cash and cash equivalents at June 30, 2015 consisted of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
Jackson County Bank	\$ 4,616,596	\$ 3,994,676
	<u>-</u>	<u>-</u>
	<u>\$ 4,616,596</u>	<u>\$ 3,994,676</u>

Breakdown per financial statements is as follows:

Governmental funds	\$ 3,360,678
Proprietary funds	390,966
Agency funds	<u>243,032</u>
	<u>\$ 3,994,676</u>

Cash is commingled in various bank accounts and short-term certificates of deposit. Due to the nature of the accounts and limitations imposed by bond issue requirements, construction projects, and Federal financial assistance programs, each cash account within the following funds is considered to be restricted:

Special Revenue Funds  
SEEK Capital Outlay Fund  
Facility Support Program (FSPK) Fund  
School Construction Fund  
School Food Service Fund  
Agency Funds

**JACKSON COUNTY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED**  
Year ended June 30, 2015

**4. INVESTMENTS**

Funds of the District are public funds and, therefore, their investment is limited by statute to certain obligations of the United States or similar government agencies, cash instruments, and certain pooled investment funds as provided by KRS 66.480. At June 30, 2015, the District holds only demand deposits and certificates of deposit considered to be cash equivalents. Consequently, the District does not have investment related credit risk or interest risk.

**5. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2015 was as follows:

	<b>June 30, 2014</b>			<b>June 30, 2015</b>
	<b>Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance</b>
<b>Governmental Activities</b>				
Land & land improvements	\$ 2,952,138	\$ 545,597	\$ -	\$ 3,497,735
Buildings	29,570,833	-	-	29,570,833
Technology equipment	2,218,756	-	-	2,218,756
Vehicles	3,011,105	210,868	293,594	2,928,379
General equipment	400,933	5,000	-	405,933
Construction work in progress	12,918,260	441,454	545,597	12,814,117
Total historical cost	51,072,025	1,202,919	839,191	51,435,753
Less accumulated depreciation	14,775,814	956,446	293,594	15,438,666
Governmental capital assets, net	<u>\$ 36,296,211</u>	<u>\$ 246,473</u>	<u>\$ 545,597</u>	<u>\$ 35,997,087</u>
<b>Business-type Activities</b>				
Buildings	\$ 390,859	\$ -	\$ -	\$ 390,859
Technology equipment	15,666	-	-	15,666
Food service equipment	451,974	119,784	19,691	552,067
Total historical cost	858,499	119,784	19,691	958,592
Less accumulated depreciation	665,956	17,285	19,691	663,550
Business-type capital assets, net	<u>\$ 192,543</u>	<u>\$ 102,499</u>	<u>\$ -</u>	<u>\$ 295,042</u>

**JACKSON COUNTY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED**  
Year ended June 30, 2015

**5. CAPITAL ASSETS - CONTINUED**

Depreciation expense for business-type activities was entirely incurred in the operation of the School Food Services. Depreciation for governmental activities was charged to governmental functions as follows:

Instruction	\$	490,237
Student		22,527
Instruction staff		21,139
District administrative		8,555
School administrative		2,026
Business		-
Plant operation and maintenance		236,864
Student transportation		174,586
Community services		512
	\$	<u>956,446</u>

**6. CAPITAL LEASE PAYABLE**

The District has entered into a capital lease agreement for buses which will become the property of the District when all the terms of the lease agreement are met. The following schedule presents the capital lease activity for the year ended June 30, 2015:

Description	Maturity	Interest Rates	Original Issue	Balance June 30, 2014	Debt Issued	Debt Paid	Balance June 30, 2015	Due Within One Year
KISTA:								
2005	March 2015	3.0% - 3.625%	\$ 597,062	\$ 57,132	\$ -	\$ 57,132	\$ -	\$ -
2012	March 2022	2.0% - 2.625%	82,368	64,134	-	7,787	56,347	7,946
2013	June 2033	1.5% - 3.625%	445,000	430,000	-	20,000	410,000	20,000
2014	March 2025	1% - 2.625%	<u>93,813</u>	<u>-</u>	<u>93,813</u>	<u>-</u>	<u>93,813</u>	<u>10,169</u>
			<u>\$ 1,218,243</u>	<u>\$ 551,266</u>	<u>\$ 93,813</u>	<u>\$ 84,919</u>	<u>\$ 560,160</u>	<u>\$ 38,115</u>

The following presents a schedule by years of the future minimum lease payments under capital lease as of June 30, 2015:

Year	Principal	Interest	Total
2015-16	\$ 38,115	\$ 15,084	\$ 53,199
2016-17	38,309	14,423	52,732
2017-18	37,213	13,759	50,972
2018-19	37,547	13,060	50,607
2019-20	37,884	12,309	50,193
2020-2025	161,092	47,388	208,480
2025-2030	125,000	28,281	153,281
2030-2033	<u>85,000</u>	<u>6,344</u>	<u>91,344</u>
Totals	<u>\$ 560,160</u>	<u>\$ 150,648</u>	<u>\$ 710,808</u>

Less: amounts representing interest (150,648)

Net capital lease liability \$ 560,160

**JACKSON COUNTY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED**  
Year ended June 30, 2015

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**7. LONG-TERM OBLIGATIONS**

The amounts shown in the accompanying basic financial statements as bond obligations represent the District's future obligations to make lease payments relating to the bonds issued by the Jackson County School District Finance Corporation.

The original amount of each issue, the issue date, and interest rates of bonded debt and lease obligations are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
2005	\$ 3,155,000	3.15% - 4.15%
2007	\$ 2,260,000	3.40% - 3.80%
2010	\$ 11,900,000	5%
2011K	\$ 362,070	.75% - 5.0%
2012R	\$ 1,950,000	1.00% - 2.00%
2013	\$ 3,655,000	0.30% - 0.750%
2014	\$ 310,000	2.00% - 3.50%
2014R	\$ 7,425,000	1.25% - 3.00%

The District, through the General Fund, including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund, is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Jackson County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The District entered into "participation agreements" with the Kentucky School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The participation agreements generally provide for the Commission to assist the District in meeting bond obligations and are renewable, at the Commission's option, bi-annually. In 2008, the District also entered into an agreement with the Urgent Needs Trust Fund. The Urgent Needs Trust Fund was established by the 2003 Kentucky General Assembly for the purpose of assisting school districts that have urgent and critical construction needs. The Urgent Needs Trust Fund is administered by the School Facility Construction Commission. Should the Kentucky General Assembly choose to not fund the Commission in the future, the District would be responsible for meeting the full requirements of the bond issues. The following table sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements. The District has reflected the amount due from the Commission over the life of the bonds as a receivable in the Statement of Net Position since there is no reason to believe that the Kentucky General Assembly will not continue to approve continued participation.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission at June 30, 2015 for debt service (principal and interest) are as follows:

See table on next page

**JACKSON COUNTY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED**  
Year ended June 30, 2015

**7. LONG-TERM OBLIGATIONS-CONTINUED**

Year	Jackson County School District		Kentucky School Facility Construction Commission		QZAB		Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015-16	\$ 1,063,672	\$ 178,116	\$ 491,899	\$ 134,495	\$ -	\$ 546,708	\$ 1,555,571	\$ 859,319
2016-17	1,077,005	164,271	497,566	128,628	-	595,000	1,574,571	887,899
2017-18	1,087,011	150,359	507,560	123,385	-	595,000	1,594,571	868,744
2018-19	1,106,602	134,879	512,969	106,488	-	595,000	1,619,571	836,367
2019-20	1,122,764	117,699	518,808	111,313	-	595,000	1,641,572	824,012
2020-21	1,140,481	97,407	526,089	103,580	-	595,000	1,666,570	795,987
2021-22	1,158,221	83,580	534,865	94,356	-	595,000	1,693,082	772,936
2022-23	1,177,755	69,318	543,816	84,954	-	595,000	1,721,571	749,272
2023-24	1,013,428	56,354	553,143	71,507	-	595,000	1,566,571	722,861
2024-25	1,028,520	44,698	563,051	64,819	-	595,000	1,591,571	704,517
2025-26	879,659	34,190	556,912	54,011	-	595,000	1,436,571	683,201
2026-27	704,641	26,579	501,930	43,182	3,154,869	595,000	4,361,440	664,761
2027-28	244,178	20,201	435,822	32,063	-	-	680,000	52,264
2028-29	247,711	13,348	447,289	20,108	-	-	695,000	33,456
2029-30	251,404	5,892	353,596	8,598	-	-	605,000	14,490
2030-31	25,000	1,421	20,000	2,950	-	-	45,000	4,371
2031-32	20,555	442	20,000	2,275	-	-	40,555	2,717
2032-33	-	-	20,000	1,575	-	-	20,000	1,575
2033-34	-	-	20,000	875	-	-	20,000	875
2034-35	-	-	15,000	263	-	-	15,000	263
	<u>\$ 13,348,607</u>	<u>\$ 1,198,754</u>	<u>\$ 7,640,315</u>	<u>\$ 1,189,425</u>	<u>\$ 3,154,869</u>	<u>\$ 4,344,294</u>	<u>\$ 24,143,787</u>	<u>\$ 9,479,887</u>

A summary of the changes in long-term liabilities during the fiscal year ended June 30, 2015 is as follows:

School Building Revenue Bonds	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
2004	\$ 20,000	\$ -	\$ 20,000	-
2004	90,000	-	90,000	-
2005	265,000	-	130,000	135,000
2007	1,390,000	-	210,000	1,180,000
2009	7,610,000	-	7,610,000	-
2011	10,260,288	-	546,571	9,713,717
2011K	324,070	-	19,000	305,070
2012R	1,705,000	-	115,000	1,590,000
2013	3,580,000	-	50,000	3,530,000
2014	-	310,000	-	310,000
2014R	-	7,425,000	45,000	7,380,000
KSBIT Novation	318,151	-	99,251	218,900
Accrued sick leave	162,984	21,228	-	184,212
	<u>\$ 25,725,493</u>	<u>\$ 7,756,228</u>	<u>\$ 8,934,822</u>	<u>\$ 24,546,899</u>

## 7. LONG-TERM OBLIGATIONS-CONTINUED

### Current Refunding of the 2009 BABS Series Bonds

The 2014 refunded bonds were issued to purchase an escrow scheduled to mature at such time and in such amounts as are necessary and will be adequate, with investment and reinvestments to meet the current scheduled principal and interest due beginning May 1, 2015 and refund of maturity the principal and interest of the 2009 BABS Series bonds. The called bonds were paid at 100 on November 11, 2014. The proceeds of \$7,295,000 will be used to retire the 2009 BABS series bonds at cumulative savings to the District of \$612,332. The present value savings as a percentage of refunded principal at 6.9130% is \$486,471.

## 8. RETIREMENT PLANS

The District's employees are provided with two pension plans, based on each position's college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

### General information about the County Employees Retirement System Non-Hazardous (CERS)

*Plan description*—Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (KRS) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

*Benefits provided*—CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hires date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will

## **8. RETIREMENT PLANS - CONTINUED**

receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Contributions—Required contributions by the employee are based on the tier:

	<u>Required contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

*Funding Policy* - Funding for the plan is provided through payroll withholdings and matching District contributions. The District contributes 18.63% of the employee's total compensation subject to contribution.

### **General information about the Teachers' Retirement System of the State of Kentucky (KTRS)**

*Plan description*—Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky (KTRS)—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS issues a publicly available financial report that can be obtained at [http://www.ktrs.ky.gov/05\\_publications/index.htm](http://www.ktrs.ky.gov/05_publications/index.htm).

*Benefits provided*—For employees who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, employees become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, employees must either:

- 1.) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2.) Complete 27 years of Kentucky service.

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. KTRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit,



## 8. RETIREMENT PLANS - CONTINUED

payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

**Contributions**—Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.105% of their salaries to the System. University employees are required to contribute 9.895% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 7.68% of their salary to KTRS.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 15.355% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

### **Medical Insurance Plan**

*Plan description*—In addition to the pension benefits described above, KRS 161.675 requires KTRS to provide post-employment healthcare benefits to eligible employees and dependents. The KTRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired employees and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

*Funding policy*—In order to fund the post-retirement healthcare benefit, six percent (6%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

**JACKSON COUNTY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED**  
Year ended June 30, 2015

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**8. RETIREMENT PLANS - CONTINUED**

District's proportionate share of the CERS net pension liability	\$	4,330,000
Commonwealth's proportionate share of the KTRS net pension liability associated with the District		<u>65,560,841</u>
	\$	<u><u>69,890,841</u></u>

The net pension liability for each plan was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2014, the District's proportion was 0.133456%.

For the year ended June 30, 2015, the District recognized pension expense of \$492,355 related to CERS and \$3,212,615 related to KTRS. The District also recognized revenue of \$3,212,615 for KTRS support provided by the Commonwealth. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	483,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	<u>561,522</u>	<u>-</u>
Total	<u><u>\$ 561,522</u></u>	<u><u>\$ 483,000</u></u>

## 8. RETIREMENT PLANS - CONTINUED

The \$561,522 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>		
2016	\$	96,600
2017	\$	96,600
2018	\$	96,600
2019	\$	96,600
2020	\$	96,600

*Actuarial assumptions*—The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>CERS</u>	<u>KTRS</u>
Inflation	3.50%	3.50%
Projected salary increases	4.50%	4.0-8.2%
Investment rate of return, net of investment expense & inflation	7.75%	7.50%

For CERS, mortality rates for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired employees and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other employees. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

For KTRS, mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a setback of 1 year for females. The last experience study was performed in 2011 and the next experience study is scheduled to be conducted in 2016.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

For KTRS, the long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting

**8. RETIREMENT PLANS - CONTINUED**

the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KTRS's investment consultant, are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
U.S. Equity	45.0%	6.4%
Non U.S. Equity	17.0%	6.5%
Fixed Income	24.0%	1.6%
High Yield Bonds	4.0%	3.1%
Real Estate	4.0%	5.8%
Alternatives	4.0%	6.8%
Cash	2.0%	1.5%
Total	100.0%	

*Discount rate*—For CERS, the discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.75%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For KTRS, the discount rate used to measure the total pension liability was 5.23%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees until the 2036 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2035 and a municipal bond index rate of 4.35% was applied to all periods of projected benefit payments after 2035. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

*Sensitivity of CERS and KTRS proportionate share of net pension liability to changes in the discount rate*—The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

*Table on following page*

**8. RETIREMENT PLANS - CONTINUED**

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
RS	6.75%	7.75%	8.75%
District's proportionate share of net pension liability	\$ 5,697,992	\$ 4,330,000	\$ 3,121,349
RS	4.23%	5.23%	6.23%
District's proportionate share of net pension liability	\$ -	\$ -	\$ -

*Pension plan fiduciary net position*—Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of both CERS and KTRS.

The District's contribution (both withholding and match) KTRS for the years ended June 30, 2015, 2014 and 2013 was \$1,649,051, \$1,352,536, and \$1,488,166, respectively. The District's contributions (both withholding and match) CERS for the years ended June 30, 2015, 2014, and 2013 were \$729,509, \$580,468, and \$825,728, respectively. The District met their contribution requirements.

**9. LEASES**

As of June 30, 2015, the District had not entered into any material operating lease agreements.

**10. CONTINGENCIES**

*Grants* - The District receives funding from Federal, State, and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantor may request a refund of funds advanced, or refuse to reimburse the District for its disbursements, and the collectability of any related receivables as of June 30, 2015 may be impaired. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

**11. LITIGATION**

The District is subject to legal actions in various states of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect on the financial statements as a result of the cases presently in progress.

**12. CHANGE IN ACCOUNTING PRINCIPLE AND RELATED CHANGES TO CERTAIN BEGINNING BALANCES**

Effective July 1, 2014, the District was required to adopt Governmental Accounting Standards Board (GASB) Statement no. 68, "Accounting and Financial Reporting for Pensions" (GASB 68). GASB 68 replaced the requirements of GASB 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB 50, "Pension Disclosures", as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability to more comprehensively and comparably measure the annual costs of pension benefits. Cost-sharing governmental employers, such as the District, are required to report a net pension liability, pension expense and pension-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

GASB 68 required retrospective application. Since the District only presents one year of financial information, the beginning net pension was adjusted to reflect the retrospective application. The adjustment resulted in a \$4,320,645 reduction in beginning net position on the Statement of Activities and an increase of \$561,522 of deferred outflows of resources – District contributions subsequent to the measurement date.

**13. RISK MANAGEMENT**

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. Settled claims resulting from these risks have created a potential liability as discussed in the *Contingencies* disclosure.

Contributions for Workers' Compensation coverage are based on premium rates established in conjunction with the insurance carrier, subject to claims experience modifications and discounts.

**14. DEFICIT FUND BALANCES**

The District did not have any funds with deficit balances at June 30, 2015. However, there may be funds with deficit operating balances.

**15. COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss. There were no instances of noncompliance noted.

**JACKSON COUNTY SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS-CONTINUED**  
Year ended June 30, 2015

**16. TRANSFER OF FUNDS**

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	Matching	\$ 45,675
Operating	Adult Education Operations	General	Fund Closure	\$ 10,487
Operating	Building	Debt Service	Debt Service	\$ 1,282,761
Operating	Building	General	COFT	\$ 162,807
Operating	Capital Outlay	Construction	COFT	\$ 154,000
Operating	Capital Outlay	General	COFT	\$ 229,984
Operating	Food Service	General	Indirect Costs	\$ 60,073
Operating	General	Construction	Construction	\$ 30,000
Operating	Special Revenue	Debt Service	Debt Service	\$ 45,158

**17. INTERFUND RECEIVABLES AND PAYABLES**

At June 30, 2015, there were no interfund balances outstanding that are reflected in the financial statements.

**18. ON-BEHALF PAYMENTS**

The Commonwealth of Kentucky pays certain expenses on behalf of the District. These expenses include employee health insurance, the employer match of Kentucky Teachers' Retirement System, certain other employee benefits, specific technology expense and debt service. These amounts are included in the fund financial statements; however, the revenues and related expenditures are not budgeted amounts.

The following payments for fringe benefits are included as revenues and expenses on the statement of revenues, expenses, and changes in net position:

Retirement contributions to the Teachers'	
Retirement System of Kentucky	\$ 1,167,341
Health and Life insurance	2,669,164
Other	-
Technology	58,137
Debt Service	661,079
	<u>\$ 4,555,721</u>

**19. FUND BALANCE DESIGNATIONS**

The following funds had non-spendable fund balances as follows:

Fund	Amount	Purpose
General	\$ 132,776	Supplies inventory

The following funds had restricted fund balances as follows:

Fund	Amount	Purpose
Construction	\$ 55,892	Construction
Food Service	59,053	Inventory and other

**19. FUND BALANCE DESIGNATIONS - CONTINUED**

The following funds had committed fund balances as follows:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	\$ 15,000	Sick Leave Retirement Benefit

The following funds had assigned fund balances as follows:

<u>Fund</u>	<u>Amount</u>	<u>Purpose</u>
General	\$ 1,250,022	Largest portion for Section 7 (teacher staffing above the allotment), bus budget, etc.

**20. SUBSEQUENT EVENTS**

Management of the District has evaluated subsequent events through the date of the audit report. No events have occurred subsequent to the date of the financial statements that would require adjustment to the financial statements.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**JACKSON COUNTY SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
Year ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
From local sources				
Taxes:				
Property	\$ 1,340,000	\$ 1,340,000	\$ 1,590,972	\$ 250,972
Motor vehicle	310,700	310,700	367,852	57,152
Utility	600,000	600,000	740,300	140,300
Other	8,750	8,750	16,901	8,151
Earnings on investments	4,500	4,500	7,037	2,537
Other local	20,568	20,568	60,363	39,795
Intergovernmental - State	15,118,966	15,153,495	15,302,441	148,946
Intergovernmental - Federal	21,000	21,000	53,776	32,776
Total revenues	<u>17,424,484</u>	<u>17,459,013</u>	<u>18,139,642</u>	<u>680,629</u>
<b>Expenditures</b>				
Current:				
Instruction	10,624,672	10,552,100	10,093,099	459,001
Student	1,115,406	1,054,998	1,003,896	51,102
Instructional support	473,961	551,019	511,189	39,830
District administration	1,194,584	1,214,130	686,360	527,770
School administration	643,681	622,748	623,503	(755)
Business support	634,673	634,221	564,565	69,656
Plant operations and maintenance	2,237,016	2,279,823	1,971,124	308,699
Student transportation	2,631,780	2,681,263	2,119,680	561,583
Community service	8,818	8,818	11,553	(2,735)
Adult education	11,095	11,095	10,982	113
Debt service	68,379	68,379	68,379	-
Contingency	892,989	892,989	-	892,989
Total expenditures	<u>20,537,054</u>	<u>20,571,583</u>	<u>17,664,330</u>	<u>2,907,253</u>
Excess (deficit) of revenues over (under) expenditures	(3,112,570)	(3,112,570)	475,312	3,587,882
<b>Other financing sources (uses)</b>				
Proceeds from sale of assets	1,000	1,000	12,582	11,582
Proceeds from capital leases	-	-	93,813	93,813
Transfers in	403,274	403,274	463,351	60,077
Transfers out	(75,670)	(75,670)	(75,675)	(5)
Total other financing sources (uses)	<u>328,604</u>	<u>328,604</u>	<u>494,071</u>	<u>165,467</u>
<b>Net change in fund balance</b>	(2,783,966)	(2,783,966)	969,383	3,753,349
Fund balance as of June 30, 2014	<u>2,931,742</u>	<u>2,931,742</u>	<u>2,931,742</u>	-
<b>Fund balance as of June 30, 2015</b>	<u>\$ 147,776</u>	<u>\$ 147,776</u>	<u>\$ 3,901,125</u>	<u>\$ 3,753,349</u>

JACKSON COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - SPECIAL REVENUE FUND  
Year ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
From local sources:				
Other local	\$ 24,771	\$ 24,771	\$ 14,162	\$ (10,609)
Intergovernmental - State	1,643,122	1,643,122	1,614,944	(28,178)
Intergovernmental - Federal	2,690,211	2,691,210	2,618,195	(73,015)
Total revenues	4,358,104	4,359,103	4,247,301	(111,802)
<b>Expenditures</b>				
Current:				
Instruction	3,186,029	3,182,116	3,026,964	155,152
Student support services	102,402	97,082	86,184	10,898
Instructional support	658,869	658,869	702,591	(43,722)
School administration	9,736	9,736	10,077	(341)
Business support	-	-	4,042	(4,042)
Plant operations & maintenance	-	-	9,862	(9,862)
Student transportation	106,239	106,239	102,236	4,003
Community service	305,573	305,573	305,862	(289)
Total expenditures	4,368,848	4,359,615	4,247,818	111,797
Deficit of revenues under expenditures	(10,744)	(512)	(517)	5
<b>Other financing sources</b>				
Operating transfers in	45,670	45,670	45,675	5
Operating transfers out	(45,158)	(45,158)	(45,158)	-
Total other financing sources	512	512	517	5
<b>Net change in fund balance</b>	(10,232)	-	-	-
Fund balance as of June 30, 2014	-	-	-	-
<b>Fund balance as of June 30, 2015</b>	<u>\$ (10,232)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## **JACKSON COUNTY SCHOOL DISTRICT**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

#### **BUDGET AND ACTUAL - GENERAL FUND**

**Year ended June 30, 2015**

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The District's budgetary process accounts for transactions on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America. In accordance with state law, the District prepares a general school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy, and from estimates of other Local, State, and Federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay, and other necessary expenses. The budget must be approved by the Board. The District must formally and publicly examine estimated revenues and expenses for the subsequent fiscal year by January 31 of each calendar year. Additionally, the District must submit a certified budget to the Kentucky Department of Education by March 15 of each calendar year, which includes the amount for certified and classified staff, based on the District's staffing policy, and the amount for the instructional supplies, materials, travel and equipment. Additionally, the District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each calendar year. The budget must contain a 2% reserve but not greater than 10%. Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of each calendar year. The Board has the ability to amend the working budget.

JACKSON COUNTY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2015

	SEEK Capital Outlay Fund	Facility Support Program (FSPK) Fund	Construction Fund	Debt Service Fund	Total Non-major Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ -	\$ 70,151	\$ -	\$ 70,151
<b>Total assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,151</u>	<u>\$ -</u>	<u>\$ 70,151</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts Payable	\$ -	\$ -	\$ 14,259	\$ -	\$ 14,259
Fund Balances:					
Restricted	-	-	55,892	-	55,892
<b>Total liabilities fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,151</u>	<u>\$ -</u>	<u>\$ 70,151</u>

JACKSON COUNTY SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS  
Year ended June 30, 2015

	SEEK Capital Outlay Fund	Facility Support Program (FSPK) Fund	Construction Fund	Debt Service Fund	Total Non-major Governmental Funds
<b>Revenues</b>					
Taxes					
Property	\$ -	\$ 379,258	\$ -	\$ -	\$ 379,258
From local sources:					
Earnings on investments	-	-	-	-	-
Intergovernmental - State	192,998	1,066,300	-	661,079	1,920,377
Intergovernmental - Federal	-	-	-	613,236	613,236
Total revenues	<u>192,998</u>	<u>1,445,558</u>	<u>-</u>	<u>1,274,315</u>	<u>2,912,871</u>
<b>Expenditures</b>					
Building acquisition and construction	-	-	441,453	-	441,453
Debt service	-	-	-	2,602,234	2,602,234
Total expenditures	<u>-</u>	<u>-</u>	<u>441,453</u>	<u>2,602,234</u>	<u>3,043,687</u>
<b>Other financing sources (uses)</b>					
Bond proceeds	-	-	310,000	7,425,000	7,735,000
Deposits with escrow agents	-	-	-	(7,305,276)	(7,305,276)
Debt issuance cost	-	-	-	(119,724)	(119,724)
Transfers in	-	-	184,000	1,327,919	1,511,919
Transfers out	(383,984)	(1,445,568)	-	-	(1,829,552)
Total other financing sources (uses)	<u>(383,984)</u>	<u>(1,445,568)</u>	<u>494,000</u>	<u>1,327,919</u>	<u>(7,633)</u>
<b>Net change in fund balance</b>	(190,986)	(10)	52,547	-	(138,449)
Fund balance as of June 30, 2014	<u>190,986</u>	<u>10</u>	<u>3,345</u>	<u>-</u>	<u>194,341</u>
<b>Fund balance as of June 30, 2015</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,892</u>	<u>\$ -</u>	<u>\$ 55,892</u>

JACKSON COUNTY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY

County Employees Retirement System

Year ended June 30, 2015

	District's proportion of net pension liability (asset)	District's proportionate share of the net pension liability (asset)	District's covered-employee payroll	District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.13%	\$ 4,330,000	\$ 3,068,109	141.13%	66.80%

\* The amounts presented for each fiscal year were determined as of 6/30/14.

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

**JACKSON COUNTY SCHOOL DISTRICT**

**SCHEDULE OF DISTRICT CONTRIBUTIONS**

**County Employees Retirement System**

**Year ended June 30, 2015**

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	<u>Contractually required contribution</u>	<u>Contributions in relation to contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered-employee payroll</u>	<u>Contributions as a percentage of covered-employee payroll</u>
2015	\$ 561,522	\$ 561,522	\$ -	\$ 3,177,671	17.67%
2014	\$ 578,354	\$ 578,354	\$ -	\$ 3,068,109	18.85%

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.



JACKSON COUNTY SCHOOL DISTRICT

SCHEDULE OF THE STATE'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY  
Kentucky Teachers' Retirement System  
Year ended June 30, 2015

	State's proportion of net pension liability (asset)	State's proportionate share of the net pension liability (asset)	Plan fiduciary net position as a percentage of the total pension liability
2015	100%	\$ 65,560,841	45.59%

\* The amounts presented for each fiscal year were determined as of 6/30/14.

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.

**JACKSON COUNTY SCHOOL DISTRICT**

**SCHEDULE OF STATE CONTRIBUTIONS**

**Kentucky Teachers' Retirement System**

**Year ended June 30, 2015**

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	<u>Statutorily required contribution</u>	<u>Contributions in relation to the statutorily required contribution</u>	<u>Contribution deficiency (excess)</u>
2015	\$ 1,544,963	\$ 1,544,963	\$ -

This schedule is presented to illustrate the requirement to show information for 10 years. More information will be added as it becomes available.
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**JACKSON COUNTY SCHOOL DISTRICT**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - ELEMENTARY AND MIDDLE SCHOOL ACTIVITY FUNDS**  
**Year Ended June 30, 2015**

<u>School/ Activity Fund</u>	<u>Cash and Equivalents June 30, 2014</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Cash Equivalents June 30, 2015</u>	<u>Accounts Receivable June 30, 2015</u>	<u>Accounts Payable June 30, 2015</u>	<u>Balances June 30, 2015</u>
McKee Elementary School	\$ 58,411	\$ 63,776	\$ 63,145	\$ 59,042	\$ 191	\$ -	\$ 59,233
Sand Gap Elementary School	1,459	38,245	36,589	3,115	-	-	3,115
Tyner Elementary School	49,036	86,442	83,100	52,378	2,157	1,098	53,437
Jackson County Middle School	<u>20,626</u>	<u>99,410</u>	<u>83,276</u>	<u>36,760</u>	<u>-</u>	<u>-</u>	<u>36,760</u>
Totals	<u>\$ 129,532</u>	<u>\$ 287,873</u>	<u>\$ 266,110</u>	<u>\$ 151,295</u>	<u>\$ 2,348</u>	<u>\$ 1,098</u>	<u>\$ 152,545</u>

**JACKSON COUNTY SCHOOL DISTRICT**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES -**  
**JACKSON COUNTY HIGH SCHOOL ACTIVITY FUND**  
**Year ended June 30, 2015**

	Balances June 30, 2014	Receipts	Disbursements	Transfers in (out)	Cash and Cash Equivalents June 30, 2015	Accounts Receivable June 30, 2015	Accounts Payable June 30, 2015	Balances June 30, 2015
Academic Team	\$ 1,048	\$ 666	\$ 930	\$ -	\$ 784	\$ -	\$ -	\$ 784
Art	-	270	-	-	270	-	-	270
Volleyball	3,362	6,283	5,888	28	3,785	-	-	3,785
Boys Basketball GP Trip	3,506	32,443	25,923	(6,563)	3,463	-	-	3,463
Boys Basketball GP	-	15,581	20,899	5,318	-	-	-	-
Girls Basketball	65	14,670	12,748	606	2,593	-	-	2,593
Drama	557	1,789	1,748	-	598	-	-	598
Band	-	1,300	1,218	1,000	1,082	-	-	1,082
Baseball	-	14,180	13,933	782	1,029	-	-	1,029
Softball	-	3,692	3,993	301	-	-	-	-
Beta Club	-	1,005	1,022	17	-	-	-	-
Regional FFA	-	7,639	13,563	5,924	-	-	-	-
Walking Dead Club	-	299	266	-	33	-	-	33
Cheerleaders	1,371	10,985	12,438	82	-	-	-	-
Yearbook	2,433	8,911	10,498	-	846	-	-	846
Dance Team	-	6,591	7,234	682	39	-	-	39
Archery	3,443	18,377	16,354	(1,353)	4,113	-	-	4,113
School Store	383	3,537	3,027	165	1,058	-	-	1,058
Future Farmers of America	-	45,827	37,166	(5,622)	3,039	-	-	3,039
FCCLA	27	1,210	1,237	-	-	-	-	-
FBLA	190	293	377	-	106	-	-	106
General Fund	3,887	36,717	28,532	(699)	11,373	-	-	11,373
Greenhouse	-	3,909	3,110	250	1,049	-	-	1,049
Cross Country	-	2,469	1,923	-	546	-	-	546
National Honor Society	-	480	809	329	-	-	-	-
Youth Service Center	82	142	80	(15)	129	-	-	129
JROTC	716	6,758	6,213	-	1,261	-	-	1,261
Library Department	187	122	214	-	95	-	-	95
Pep Club	4	181	185	-	-	-	-	-
Student Book Club	82	760	610	-	232	-	-	232
Fishing Club	1,525	210	1,238	-	497	-	-	497
Girls Golf	4,972	2,846	2,867	450	5,401	-	-	5,401
Spanish Club	-	892	-	(892)	-	-	-	-
Boys Golf	4,631	17,353	14,438	225	7,771	-	-	7,771
Seniors	-	60,138	59,655	492	975	-	-	975
49th District Tourney	28,907	-	2,069	(2,061)	24,777	-	-	24,777
Teacher's Lounge	271	10,140	3,890	-	6,521	-	-	6,521

JACKSON COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES -  
JACKSON COUNTY HIGH SCHOOL ACTIVITY FUND -CONTINUED  
Year ended June 30, 2015

	Balances June 30, 2014	Receipts	Disbursements	Transfers in (out)	Cash and Cash Equivalents June 30, 2015	Accounts Receivable June 30, 2015	Accounts Payable June 30, 2015	Balances June 30, 2015
Prom	-	6,238	2,887	-	3,351	-	-	3,351
Run Club	-	4,618	3,272	(425)	921	-	-	921
Football	55	11,913	12,948	980	-	-	-	-
Scholarships	1,000	-	1,000	-	-	-	-	-
Scholarship	-	4,000	-	-	4,000	-	-	4,000
Total accounts	<u>\$ 62,704</u>	<u>\$ 365,434</u>	<u>\$ 336,402</u>	<u>\$ 1</u>	<u>\$ 91,737</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,737</u>

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

JACKSON COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended June 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
US Department of Agriculture			
Passed Through State Department of Education:			
School Breakfast Program	10.553		
Fiscal Year 14		57611-05-Z	\$ 109,109
Fiscal Year 15		57611-05-Z	342,631
National School Lunch Program	10.555		
Fiscal Year 14		57511-02-Z	234,532
Fiscal Year 15		57511-02-Z	786,253
Summer Food Service Program for Children	10.559		
Fiscal Year 14		57411-23-Z	11,852
Fiscal Year 15		57411-23-Z	24,851
Passed Through State Department of Agriculture:			
National School Lunch Program	10.555		
Fiscal Year 15		51-4550	78,397
<i>Child Nutrition Cluster Total</i>			<u>1,587,625</u>
Passed through Cumberland Valley District Health Department	10.575		
Farm to School Grant Program		220-438A	5,499
Fiscal Year 15			<u>5,499</u>
Total US Department of Agriculture			<u>1,593,124</u>
US Department of Health and Human Services			
Passed Through Kentucky River Foothills Development Council:			
Head Start	93.600		
Fiscal Year 15		04CH2164	177,676
Total US Department of Health and Human Services			<u>177,676</u>
US Department of Education			
Passed Through State Department of Education			
Title I Grants to Local Educational Agencies	84.010		
Fiscal Year 13		35112-01-Z	1,819
Fiscal Year 14		35112-01-Z	311,224
Fiscal Year 15		35112-01-Z	823,064
Title I Grants to Local Educational Agencies	84.010A		<u>1,136,107</u>
Fiscal Year 15		35111-11-Z	18,865
Title I Cluster Total			<u>1,154,972</u>
Special Education Grants to States	84.027		
Fiscal Year 13		58110.02.Z	102
Fiscal Year 14		58110.02.Z	100,276
Fiscal Year 15		58111.02.Z	408,691
Special Education-Preschool Grants	84.173		<u>509,069</u>
Fiscal Year 14		58711.03.Z	5,357
Fiscal Year 15		58711.03.Z	16,395
Special Education Cluster Total			<u>21,752</u>
Career and Technical Education - Basic Grants to States	84.048		
Fiscal Year 14		33-540-3484	758
Fiscal Year 15		33-540-348A	19,676
Funds for Improvement of Education	84.215P		<u>20,434</u>
Fiscal Year 14		5184	8,778
Fiscal Year 15		518A	144,156
Improving Teacher Quality State Grants	84.367		<u>152,934</u>
Fiscal Year 14		71012.02.Z	3,749
Fiscal Year 15		71012.02.Z	192,971
Total US Department of Education			<u>196,720</u>

## JACKSON COUNTY SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year ended June 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
Race to the Top Fiscal Year 15	84.413A	33-540-4521	20,741
			<u>20,741</u>
Rural Education Fiscal Year 14	84.358B	35014.02.Z	2,841
Fiscal Year 15		35015.02.Z	37,551
			<u>40,392</u>
Passed through Kentucky Workforce Development Cabinet Adult Education - Basic Grants to States Fiscal Year 15	84.002	33-540-365A	13,680
Fiscal Year 15		33-540-373A	38,602
			<u>52,282</u>
Passed through Eastern Kentucky University Gaining Early Awareness and Readiness for Undergraduate Programs Fiscal Year 14	84.334A	33-540-3794	34,843
Fiscal Year 15		33-540-379A	164,126
			<u>198,969</u>
Total for US Department of Education			<u>2,368,265</u>
Appalachian Regional Commission Appalachian Research, Technical Assistance, and Demonstration Projects Fiscal Year 15	23.011	220-688A	3,165
Total Appalachian Regional Commission			<u>3,165</u>
US Department of Defense Junior Reserve Officers' Training Corps Fiscal Year 2015	12.000	504A	63,590
Total US Department of Defense			<u>63,590</u>
Total Expenditure of Federal Awards			<u>\$ 4,205,820</u>



**JACKSON COUNTY SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year ended June 30, 2015

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**1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Jackson County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**2. IN-KIND COMMODITIES**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. The District no longer maintains a separate commodities inventory due to changes in program regulations. Commodities are included under the Child Nutrition Cluster. The valued amount of commodities received for June 30, 2015 is \$78,397.

**3. CLUSTER PROGRAMS**

The following CFDA numbers are considered cluster programs:

Special Education Cluster		
Special Education Grants to States		84.027
Special Education – Preschool Grants		84.173
Child Nutrition Cluster		
National School Lunch Program		10.555
National School Breakfast Program		10.553
Special Milk Program for Children		10.556
Summer Food Services for Children		10.559



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Independent Auditor's Report

Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Jackson County School District  
McKee, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Appendix I to the Independent Auditor's Contract-General Audit Requirements* and *Appendix II to the Independent Auditor's Contract-State Audit Requirements*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Jackson County School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Jackson County School District's basic financial statements, and have issued our report thereon dated November 13, 2015.

**Internal Control over Financial Reporting**

Management of Jackson County School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered Jackson County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jackson County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Jackson County School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jackson County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our test disclosed no instances of material noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract-State Audit Requirements*.

We noted other matters involving the internal control over financial reporting that we have reported to the management of Jackson County School District in a separate letter dated November 13, 2015.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Cloyd & Associates, PSC*

Cloyd & Associates, PSC  
London, Kentucky  
November 13, 2015





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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE;  
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL  
AWARDS REQUIRED BY OMB CIRCULAR A-133**

Independent Auditor's Report

Kentucky State Committee for  
School District Audits  
Members of the Board of Education  
Jackson County School District  
McKee, Kentucky

**Report on Compliance for Each Major Federal Program**

We have audited Jackson County School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Jackson County School District's major federal programs for the year ended June 30, 2015. The Jackson County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Jackson County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract-General Audit Requirements*, and *Appendix II to the Independent Auditor's Contract-State Audit Requirements*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jackson County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Jackson County School District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Jackson County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.



## **Cloyd & Associates, PSC**

*Certified Public Accountants*

### **Report on Internal Control over Compliance**

Management of Jackson County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Jackson County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Jackson County School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the Jackson County School District, as of and for the year ended June 30, 2015, and have issued our report thereon dated November 13, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material aspects in relation to the basic financial statements as a whole.

*Cloyd & Associates, PSC*

Cloyd & Associates, PSC  
London, Kentucky  
November 13, 2015

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JACKSON COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year ended June 30, 2015

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**Section I – Summary of Auditor's Results**

**Financial Statements**

Type of auditors' report issued		Unmodified	
Internal control over financial reporting:			
Material weakness identified	_____	Yes	<u>✓</u> No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	<u>✓</u> None reported
Noncompliance material to financial statement notes	_____	Yes	<u>✓</u> No

**Federal Awards**

Internal control over major programs:			
Material weaknesses identified	_____	Yes	<u>✓</u> No
Significant deficiencies identified that are not considered to be material weaknesses	_____	Yes	<u>✓</u> None reported
Type of auditors' report issued on compliance for major programs		Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	_____	Yes	<u>✓</u> No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
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Special Education Cluster	
Special Education Grants to States	84.027
Special Education – Preschool Grants	84.173
Child Nutrition Cluster	
National School Lunch Program	10.555
National School Breakfast Program	10.553
Special Milk Program for Children	10.556
Summer Food Services for Children	10.559

Dollar threshold used to distinguish between Type A and Type B program	\$300,000
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Auditee qualified as low risk	<u>✓</u> Yes	_____ No
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(continued)

**JACKSON COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED**  
Year ended June 30, 2015

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**Section II – Financial Statement Findings**

None

**Section III – Federal Award Findings**

None



**JACKSON COUNTY SCHOOL DISTRICT**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
Year ended June 30, 2015

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**Status of Prior Year Findings**

There were no prior year audit findings

## **MANAGEMENT LETTER COMMENTS**



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**Cloyd & Associates, PSC**  
*Certified Public Accountants*

Members of the Board of Education  
Jackson County School District  
McKee, Kentucky

In planning and performing our audit of the basic financial statements of Jackson County School District for the year ended June 30, 2015, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control structure.

During our audit, we note matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters, if any. This letter does not affect our report thereon dated November 13, 2015, on the basic financial statements of Jackson County School District.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Respectfully,

*Cloyd & Associates, PSC*

Cloyd & Associates, PSC  
London, Kentucky  
November 13, 2015

**Prior Year Comments – School Activity Funds**

Sand Gap Elementary

1. Ticket requisitions were not properly completed. The Redbook states "The principal or school treasurer shall issue tickets to the person in charge of sales for each event using the Requisition and Report of Ticket Sales (Forms F-SA-1). The person in charge determines the number of tickets to be used, records the beginning ticket number, and signs the form. Ticket procedures and forms instructions must be followed to ensure monies reconcile at end of event and documents are properly completed and signed.

*This deficiency was corrected in the current fiscal year.*

2. Lack of sufficient documentation with receipts. Bookkeeper needs to keep Multiple Receipt Forms, Deposit tickets, and any deposit documentation together so it can be traced back to bank statements.

*This deficiency was corrected in the current fiscal year.*

3. Multiple Receipt Forms were not used. The Redbook states "Teachers/sponsors/students shall use the Multiple Receipt Form (Form F-SA-6) or pre-numbered receipts when collecting money." Students shall sign the multiple receipt form when turning in money to teacher/sponsor.

*This deficiency was not corrected in the current fiscal year.*

4. Purchase orders were not noted for all purchases or were improperly executed. The Redbook states that "to initiate a purchase, a purchase order (Form F-SA-7) shall be prepared and approved by the sponsor and principal; before payment is obligated." Instances of purchase orders not being utilized and purchase orders not being properly filled out were noted.

*This deficiency was corrected in the current fiscal year.*

McKee Elementary

5. Invoices should be approved and have authorization before payment is made. Many instances of invoices not signed to indicate proper approval.

*This deficiency was corrected in the current fiscal year.*

Jackson County High School

6. Lack of sufficient documentation with receipts. Multiple receipt forms are not filed with deposit/receipt documents and therefore could not verify they were being used, could not verify timely deposits, could not verify proper classification of deposit, and could not trace to bank statement.

*This deficiency was corrected in the current fiscal year.*

Jackson County Middle School

7. Multiple Receipt Forms were not used. The Redbook states "Teachers/sponsors/students shall use the Multiple Receipt Form (Form F-SA-6) or pre-numbered receipts when collecting money." Students shall sign the multiple receipt form when turning in money to teacher/sponsor.

*This deficiency was corrected in the current fiscal year.*

8. Purchase orders were not noted for all purchases or were improperly executed. The Redbook states that "to initiate a purchase, a purchase order (Form F-SA-7) shall be prepared and approved by the

## **Prior Year Comments – School Activity Funds - CONTINUED**

sponsor and principal; before payment is obligated.” Instances of purchase orders dated after invoices were noted.

*This deficiency was not corrected in the current fiscal year.*

## **Current Year Comments –School Activity Funds**

### **Sand Gap Elementary**

1. Multiple Receipt Forms were not used. The Redbook states “Teachers/sponsors/students shall use the Multiple Receipt Form (Form F-SA-6) or pre-numbered receipts when collecting money.” Students shall sign the multiple receipt form when turning in money to teacher/sponsor.

### **Jackson County Middle School**

2. Purchase orders were not noted for all purchases or were improperly executed. The Redbook states that “to initiate a purchase, a purchase order (Form F-SA-7) shall be prepared and approved by the sponsor and principal; before payment is obligated.” Instances of purchase orders dated after invoices were noted.

### **Tyner Elementary**

3. Invoices should be approved and have authorization before payment is made. Instances of invoices not signed to indicate proper approval was noted.

## **Management’s Response to Current Year Findings**

In 2013 and 2014 the district hired an independent consultant, Ron White, from White and Associates, P.S.C. to conduct training sessions for all Principals and Secretaries on the updated revised guidelines of the Redbook prior to the new school year. In these sessions, we emphasized the importance of following all procedures as outlined in the Redbook in an effort to correct previous audit comments and conditions. After the completion of the internal audits, the Finance Officer along with the Superintendent met individually with each principal and secretary concerning their individual issues. The schools have again made improvements from prior years as many of the previous findings have been corrected. However, for the Statements of Conditions that are reoccurring in several consecutive years the principals will be placed on a Corrective Action plan.